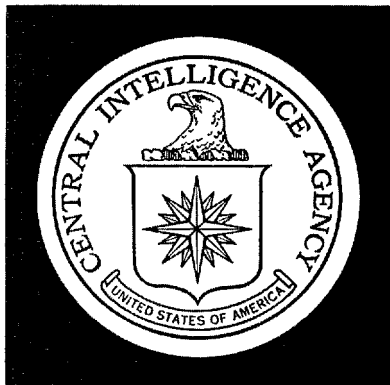


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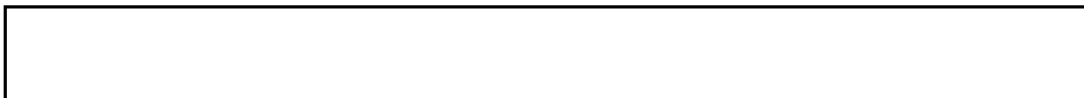
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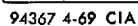
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South Vietnam: The continuing low level of Communist military activity and the signs of disengagement by major enemy units in at least I and II corps suggest that the six-week, country-wide offensive could be drawing to a close.

The only significant action on 4 April occurred in the III Corps area, where South Vietnamese Army forces engaged company-sized elements of the North Vietnamese 1st Regiment about 15 miles southwest of Saigon. The Communists initiated 13 rocket and mortar attacks throughout III Corps.

The enemy still maintains important division-level forces in the provinces around Saigon, and there are as many as nine Communist battalions which could be rapidly employed in the northern portion of IV Corps. The current posture of these forces, however, does not suggest that they will soon be engaged in widespread offensive operations.

A comparison of the enemy's combat losses in this year's spring offensive with the manpower provided by North Vietnamese infiltration and local recruitment indicates that the Communists could maintain the level of fighting of the past few weeks through June without seriously cutting into their pre-offensive strength.

In view of the recent respite in enemy-initiated activity, however, and the evidence of regroupment by some Communist main force elements, it does not appear that the enemy intends to perpetuate its campaign into the second quarter of this year with real intensity.

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*Laos: Government forces have abandoned their base at Thateng in southern Laos.

Faced with low troop morale and difficulties in moving fresh troops and supplies into the Thateng stronghold, regional commander General Phasouk ordered the garrison's evacuation on 3 April. Thateng is the first important government position to fall to the enemy in southern Laos this year. The government withdrawal comes after a costly five-month effort by the Communists to take the position.

The loss of Thateng opens up to the enemy a motorable road onto the eastern portion of the Bolovens Plateau, but it does not significantly alter the military equation in the plateau area. It is, however, another step in a Communist campaign that began in late 1967 to isolate the plateau and keep government forces confined to areas along the Mekong River.

Recent Pathet Lao harassments along Route 13 appear to be part of this effort, and fresh pressure against small government positions at Keng Nhao and Paksong may be designed to remove the last vestiges of government presence in the northern portion of the plateau.

In northern Laos, meanwhile, the military situation is quiet.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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Czechoslovakia-USSR: Various Czechoslovak organizations are beginning to affirm their support for the Dubcek leadership, but have not specifically endorsed the new restrictive policies.

After hurried consultations, progressive trade union leaders have agreed to try to calm the situation. They are urgently attempting to work out a compromise that would avert a general strike over proposed price increases. Significantly, the trade unions have announced for the first time since the intervention that they will join in Dubcek's "normalization" efforts by exchanging delegations with the trade unions of the invasion powers.

The unions continue to reject the imposition of outside censorship on their own long-outspoken daily newspaper, Prace. They have, however, promised to control the contents of their publications, probably in response to warnings that nonparty publications must comply with current censorship regulations or face punitive measures.

There is no indication as yet, however, that Czechoslovak students will comply with Dubcek's new policies.

Dubcek and his colleagues, meanwhile, are attempting to satisfy Moscow's directive calling for more control over the party and press, without at the same time alienating the population. In their initial action, they have reshuffled the editorial staff of the main party daily, Rude Pravo. This move, however, probably does not presage a sweeping purge of the nonparty mass media.

Although Dubcek realizes that he must prevent further incidents that might provoke the Soviets, he appears unwilling to deal heavy-handedly with

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dissidents. Instead, he seems to be offering them still another chance in exchange for promises that they will not step out of line.

Soviet media have given full coverage to the statement by the Czechoslovak party presidium on 3 April; this suggests that the stern tone of that document was welcome in Moscow. By implicitly endorsing the document, the Soviets probably intend to place Prague under a stronger obligation to put into practice the repressive measures it has threatened. Defense Minister Grechko and Deputy Foreign Minister Semenov were in Bratislava yesterday, continuing their round of what Moscow now acknowledges are "frank" discussions with Czechoslovak leaders.

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Warsaw Pact: Steps toward greater integration of the Eastern Europeans into the Pact's command structure may be in the offing.

According to members of the Czechoslovak military mission in West Berlin, Pact leaders at Budapest "confirmed" the need for such steps. They said that East German Defense Minister Heinz Hoffmann is the logical choice for a senior position because of his age and experience and because he has been in Moscow preparing for the new position. Hoffmann, however, may be in line only for the chairmanship of the "committee of defense ministers" which was created at the recent Pact summit meeting in Budapest. This committee is not in the Pact's actual chain of command.

The Soviets presumably consider Hoffmann to be a logical candidate for any new job because of his amenability to their direction. The continuing absence from public view of Bulgarian Defense Minister Dzhurov has led to speculation that he too may be in line for a new job, possibly as Hoffmann's deputy.

In recent years, the Eastern European members of the Pact--particularly the Rumanians--have been pressing the Soviets for a share in the Pact's command structure. All the members will probably welcome any institutional change, but many of them probably will have doubts that any practical effects will flow from the appointment of such hard-line dogmatists as Hoffmann and Dzhurov.

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West Germany - USSR: Foreign Minister Brandt asked Soviet Ambassador Tsarapkin at a meeting on 2 April to specify the problems the Communists regard as "ripe for solution."

The two met in connection with the recent Budapest "appeal" for a European security conference. Brandt also asked whether the appeal's emphasis on solving problems by peaceful means indicates a willingness by the USSR to move ahead on West Germany's proposal for agreements renouncing the use of force.

Brandt further sought clarification as to whether the Budapest exhortation to the Germans to accept "existing realities"--recognition of East Germany and the Oder-Neisse frontier--constitutes a firm condition for holding a European security conference or is a matter for negotiation at such a conference. Finally, the foreign minister sought Soviet assurances that the US and Canada would be included in any discussions.

Bonn believes that a Soviet response may be forthcoming during talks on civil air routes set for 8 April.

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Hungary: Budapest is increasing its efforts to export machinery and obtain raw materials by establishing joint-venture companies in less-developed countries.

A Hungarian delegation recently concluded a preliminary agreement with Chile that calls for the formation of a joint company to produce cable from copper purchased from several small Chilean mines. Chile is to receive machinery, technical assistance, and an assured market for the company's output in Hungary and other East European countries.

The East European countries have participated in at least 30 joint ventures in the less-developed countries. In addition to providing development capital, these ventures have proven attractive in opening new export markets in Communist countries.

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Japan - Communist China: Negotiators have finally concluded a one-year extension of the unofficial Memorandum Trade Agreement, the only formal trade arrangement between the two countries.

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The economic significance of the Memorandum Trade Agreement has declined in recent years. Press reports indicate that the new agreement calls for \$70 million in two-way trade. This would be a decline of about 35 percent from the \$110 million of trade achieved under last year's agreement

Other Japanese traders working outside the Memorandum Trade Agreement accounted for 80 percent of Sino-Japanese trade last year. They expect that their trade with China will increase in 1969, and that total trade this year probably will not fall below the 1968 level of \$550 million. Japanese firms are optimistic that their sales, especially of fertilizer, machinery, and steel, at the upcoming Canton fair will reach all-time highs.

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Equatorial Guinea: The evacuation of Spanish civilians and troops, which is to be completed today, is likely to be followed by further internal disorder.

There has been a continuing exodus of Spanish residents since anti-Spanish incidents flared in late February, and fewer than 400 civilians are expected to remain after the Spanish forces have left. The effects of the Spanish departure have already been evident on most aspects of daily life; further disruption, if not a complete breakdown of most essential services, is expected. Government operations will be particularly hard hit by the loss of virtually all technical assistance personnel.

The inexperienced government of President Macias is ill-equipped to cope with the dislocation. Its problems will probably be compounded by domestic unrest as large numbers of unemployed join the ranks of foot-loose students whose schools have already closed.

Macias is opposed by several political and ethnic factions, any one of which might seize the opportunity to attempt a coup. The local security forces, whose loyalty to the President is uncertain, would be unable to control any major disturbances which might develop.

The government has thus far done little to avert the impending chaos. It apparently has not replied to a Spanish offer of financial assistance, but it has solicited technical assistance from the UN and other international organizations, several of which are already attempting to supply personnel to maintain vital services.

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Ethiopia: The Eritrean Liberation Front yesterday carried out a well-coordinated series of attacks on vital installations in the Asmara area.

Saboteurs succeeded in damaging an electric power generating plant as well as a transformer station, preventing emergency power from reaching the city. The city's main water pumping station was also damaged. Asmara was without electricity for about 12 hours and is expected to be without water for a day or so. Kagnev, the US installation at Asmara, has imposed rationing inasmuch as it depends on Asmara for most of its water.

These attacks, along with the ambush of three fuel tank trucks in early March, may indicate a change of strategy by the Front, which had been unable to mount any significant operations since mid-1967. The attacks were carried out with a high degree of sophistication, and may also indicate that some of the insurgents who have been abroad for guerrilla and sabotage training have returned and are now operating in the field with Front units.

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Ethiopia: New student disturbances on the campus of Haile Selassie I University in Addis Ababa will probably result in the closing of the university this weekend for an indefinite period.

The latest incident in the government's war of nerves with students developed on 3 April from a demonstration protesting the continued detention of radical student leaders. Students clashed with army troops guarding the campus, and several hundred were arrested and trucked to a detention camp outside the city. Some secondary school pupils were also detained.

Although the government succeeded in frustrating demonstrations the students had planned for early March, the student body at the university has remained restive, in contrast with previous years when calm generally followed the spring disturbances. Most students have reregistered to avoid government penalties, but many have boycotted classes and have prevented the university from resuming its normal level of activity. The unrest has kept Addis Ababa's secondary schools stirred up and they have now been shut down.

The new outbreak clearly represents a setback for the government in its efforts to reach some accommodation with the students and to keep the schools in the capital functioning. The government earlier had decided to keep the university open and to deal leniently with all but the hard-core radicals. Now, however, the authorities have apparently decided that unless there is some last-minute change of attitude by the students--which seems unlikely--the university will close down indefinitely.

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NOTE

Rumania-USSR: TASS announced yesterday that Foreign Minister Manescu will arrive in Moscow on 7 April to begin an official visit. This kind of advance announcement from Moscow is unusual and probably was intended to indicate that no urgency is to be attached to the visit. Manescu probably will take up such outstanding bilateral matters as the final revisions to the Rumanian-Soviet mutual assistance pact, which formally expired in February 1968.

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